

The 1929 Crash Brings the New Deal

When President Hoover took office in March, 1929, the United States was beginning its seventh year of general prosperity. Unemployment was low, profits high, wages good. The stock market was booming. Only two problems seemed to merit serious attention from the President and Congress: farm prices and the tariff.

Farm prices, after more than doubling between 1914-19, had nosedived sharply in the 1921 recession. They had never fully recovered, since the U. S. farmer was faced with increasing competition from other expanding agricultural areas. Thus the farmer did not fully share the prosperity of the 1920's. Congress twice passed plans to buy certain farm products at a good price and sell the surplus abroad at what it would bring—but Coolidge vetoed these acts. Under Hoover, \$500,000,000 was appropriated for the Federal Farm Board. This money was to help farmers sell their goods through cooperative marketing groups, and to keep prices up through purchases of surplus grain and cotton.

Hoover also recommended a revision of the tariff, in order, among other reasons, to try to help agriculture. In its final form, the Smoot-Hawley Tariff gave greater protection to farm products, but also increased the duties on manufactured goods. Other nations quickly retaliated by raising their tariffs.

THE STOCK MARKET BOOM—AND CRASH

But in 1929, America was at the height of its boom. Prices on the New York Stock Exchange daily registered sensational gains. Speculation spread to people in every occupation and region. The *New York Times* index of 50 leading stocks climbed from 107.6 on January 2, 1925 to 306.8 on September 19, 1929.

But the limit had been reached in the amount of easy money available from banks to brokers for loans to customers. In the last half of September, stock prices began to slip downward as the stream of loans was dammed. And as prices sagged, many customers had to stand by and watch their stocks be sold—since no more loans were available to cover the decline in price. On October 24 the downward slide became a crash! By November 13, the stock index had dived to 166.2, 140 points below its September high.

Prosperity depends upon an optimistic public mood as well as expanding business. The stock market crash swept away this optimism, revealing many disturbing economic trends. European business conditions were poor, and a cut in American loans to Europe was followed by a drop in European purchases from this country. Credit had been overextended at home—by retailers to their installment customers and by banks to their business customers. After the stock market crash, banks and retailers cautiously tightened up on their credit. Business activity slowed down. Both business borrowers and installment buyers began to have difficulty meeting their notes.

Unemployment increased as factories, the banks themselves, and other businesses began to close. More than 7 out of every 10 families had incomes of less than \$50 a week, and had little or no savings to fall back on. Unemployment in this low income group meant a drastic cutting of all purchases. And this halt in buying led to more business failures and more unemployment.

These and other factors combined to bring about the most severe depression in American history, as the accompanying chart indicates. President Hoover—a firm believer that government should aid business, but not regulate or lead it—at first expressed confidence that the economic system would quickly right itself. By 1932, however, the severity of the depression forced him to propose legislative action. Congress created the Reconstruction Finance Corporation in 1932, with a fund of \$1,500,000,000 available for loans to industry, banking, transportation and agriculture. Later, it was also authorized to lend to states, cities, and other government agencies for self-liquidating public works projects.

The RFC exemplified the Republican approach under Hoover: help business at the top in the hope that such aid would improve conditions and restore prosperity. The method failed to work. In 1930 the voters retaliated by giving the Democrats a majority in the House. They completed the overturn in 1932, giving the Democrats an overwhelming majority of senators, representatives and governors elected, and—of course—the presidency.

FDR TAKES OFFICE

When Franklin Delano Roosevelt took office on March 4, 1933, virtually all banks in the nation had closed or had their business restricted by governors' proclamations. Without adequate currency or credit facilities, business was at a standstill. According to a conservative estimate, there were almost 13 million unemployed. Stock and commodity exchanges were closed. Farmers were in revolt, refusing to allow legal authorities to take away the farms of men who could not meet their mortgage payments.

In this emergency, the new president moved quickly and confidently. On March 6, he issued a proclamation which declared a nationwide bank holiday, prohibited the export of gold, and promised speedy federal action to bolster the tottering banking system. A second proclamation called Congress into special session for March 9, to consider a program to meet the crisis. In the 100 day session that followed, 15 major acts were passed.

Christened the "New Deal" by FDR, these and other measures he sponsored aimed to: (1) Boost industrial production, and thus expand employment. (2) Increase the farmer's income and buying power. (3) Raise the price level so that the debtor would find it easier to get money to meet his debts. (4) Give the average citizen a higher income and greater security.

CHAPTER

23

GEOGRAPHY APPLICATION: REGION

Decade of the Democrats

Section 5

Directions: Read the paragraphs below and study the maps carefully. Then answer the questions that follow.

The Democratic Party controlled the federal government for most of the 1930s. The Republicans' mostly voluntary programs to remedy the ravages of the Great Depression had failed, so in 1932 Democrat Franklin D. Roosevelt was elected president. Only the Northeast, a Republican stronghold, did not endorse Roosevelt. Elsewhere, his support was overwhelming.

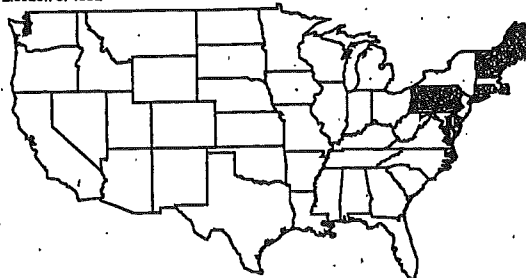
The Democrats had put together a new coalition of voters: urban immigrants, blue-collar workers of the industrialized North, African Americans, farmers of the Midwest and Great Plains and citizens in the "Solid South" joined to give the Democratic Party a national majority for the first time since the Civil War.

These people had voted for change, and they got what they wanted. To put the nation on the road to economic recovery, Roosevelt pushed through a collection of work programs, often called "alphabet soup" for initials such as WPA and CCC. The mid-1930s marked the high point of these New Deal programs. Millions of people were put back to work, and many economic-recovery projects were in full swing.

By the end of the 1930s, however, the situation had changed. The country, slowly climbing out of the depths of the Great Depression, had suffered another period of economic decline in 1937–1938, and unemployment was once again a major problem. Business leaders and Congress had become more vocal in their criticism of the New Deal, and many of its programs were ended. By the 1940 presidential election, eight states—all in the agricultural Midwest and Great Plains—had switched their support from Roosevelt to the Republican candidate, Wendell Willkie. Though Roosevelt's popularity remained strong elsewhere, particularly in the Democratic stronghold of the South, it would take the U.S. involvement in World War II to jolt the nation's economy into the full recovery that Roosevelt had been seeking.

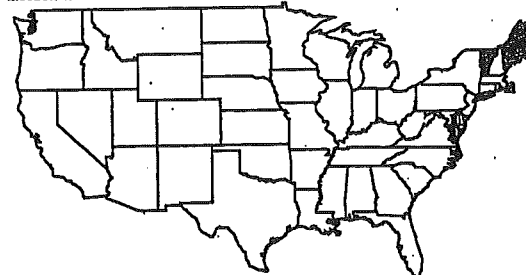
Elections of 1932, 1936, 1940

Election of 1932



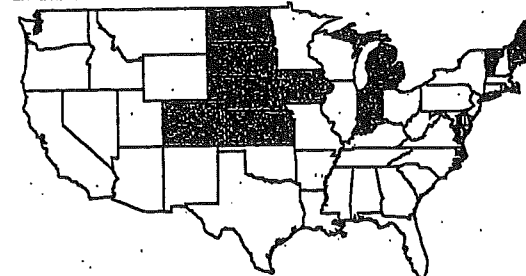
	Electoral Votes	Popular Votes
Democratic / Franklin D. Roosevelt	472	22,809,638
Republican / Herbert Hoover	59	15,758,901

Election of 1936



	Electoral Votes	Popular Votes
Democratic / Franklin D. Roosevelt	523	27,752,869
Republican / Alfred Landon	8	16,574,865

Election of 1940



	Electoral Votes	Popular Votes
Democratic / Franklin D. Roosevelt	449	27,307,819
Republican / Wendell Willkie	82	22,321,018

Name _____

Decade of the Democrats *continued*

Interpreting Text and Visuals

1. Which part of the country failed to support Franklin D. Roosevelt in the 1932 presidential election? _____

2. Which states remained Republican in all three elections? (You may consult the atlas, pp. A1–A21, for the names of U.S. states.) _____

What regions of the United States remained solidly Democratic in all three elections? _____

3. The 1936 election is a good example of the frequent disparity between popular and electoral totals. Roosevelt received more than 65 times as many electoral votes as Landon. But was the popular vote for Roosevelt about 90 times as great, 9 times as great, or 1.5 times as great as that for Landon? _____

4. Compare Roosevelt's victory in 1940 with his victory in 1936. In what respect did he lose ground? _____

5. In which election did the Democratic Party achieve its greatest popularity? _____

6. What do you think was the main cause of Herbert Hoover's loss in 1932? _____

7. What trend do you notice in the Democratic vote in the 1940 election? _____

New Deal Programs Analysis

Read through the New Deal programs and use the chart to answer the following questions.

1. What role did the state and local governments play in the lives of Americans based upon the purpose of these programs?
2. What role did the federal government play in the lives of Americans based upon the purpose of these programs?
3. In what ways were these programs helping to the American public? Look for broader themes or patterns within each given section of programs.
4. How did the New Deal programs change the definition of democracy?
5. How did the New Deal use government authority as an agent of the people?

New Deal Programs

EMPLOYMENT PROJECTS

- 1933 Civilian Conservation Corps (CCC)
- 1933 Federal Emergency Relief Administration (FERA)
- 1933 Public Works Administration (PWA)
- 1933 Civil Works Administration (CWA)
- 1935 Works Progress Administration (WPA)
- 1935 National Youth Administration (NYA)

PURPOSE

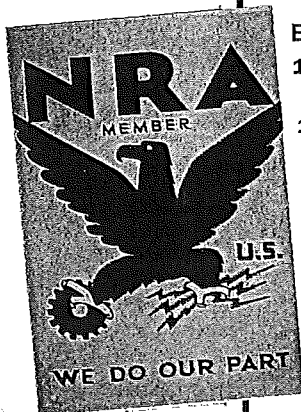
Provided jobs for single males on conservation projects.
 Helped states to provide aid for the unemployed.
 Created jobs on government projects.
 Provided work in federal jobs.
 Quickly created as many jobs as possible—from construction jobs to positions in symphony orchestras.
 Provided job training for unemployed young people and part-time jobs for needy students.



BUSINESS ASSISTANCE AND REFORM

- 1933 Emergency Banking Relief Act (EBRA)
- 1933 Federal Deposit Insurance Corporation (FDIC)
- 1933 National Recovery Administration (NRA)
- 1934 Securities and Exchange Commission (SEC)
- 1935 Banking Act of 1935
- 1938 Food, Drug and Cosmetic Act (FDC)

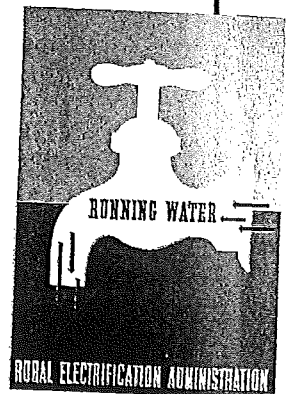
Banks were inspected by Treasury Department and those stable could reopen.
 Protected bank deposits up to \$5,000. (Today, accounts are protected up to \$100,000.)
 Established codes of fair competition.
 Supervised the stock market and eliminated dishonest practices.
 Created seven-member board to regulate the nation's money supply and the interest rates on loans.
 Required manufacturers to list ingredients in foods, drugs, and cosmetic products.



FARM RELIEF AND RURAL DEVELOPMENT

- 1933 Agricultural Adjustment Administration (AAA)
- 1933 Tennessee Valley Authority (TVA)
- 1935 Rural Electrification Administration (REA)

Aided farmers and regulated crop production.
 Developed the resources of the Tennessee Valley.
 Provided affordable electricity for isolated rural areas.



HOUSING

- 1933 Home Owners Loan Corporation (HOLC)
- 1934 Federal Housing Administration (FHA)
- 1937 United States Housing Authority (USHA)

Loaned money at low interest to homeowners who could not meet mortgage payments.
 Insured loans for building and repairing homes.
 Provided federal loans for low-cost public housing.

LABOR RELATIONS

- 1935 National Labor Relations Board (Wagner Act)
- 1938 Fair Labor Standards Act

Defined unfair labor practices and established the National Labor Relations Board (NLRB) to settle disputes between employers and employees.
 Established a minimum hourly wage and a maximum number of hours in the workweek for the entire country.
 Set rules for the employment of workers under 16 and banned hazardous factory work for those under 18.

RETIREMENT

- 1935 Social Security Administration

Provided a pension for retired workers and their spouses and aided people with disabilities.

Name _____
Date _____

US32
B/H/T

F.D.R.'S Inaugural Address (1933)

... radiated confidence as he pledged a New Deal for the American people. Roosevelt won the presidency in a landslide (472 electoral votes to 59) and the Democrats gained control of both houses of Congress. But in the four long months between the election and inauguration—soon remedied when the Twentieth Amendment moved the inauguration from 4 March to 20 January—the Great Depression worsened: Unemployment increased, more businesses failed, and there were numerous “runs” on banks, as panicked depositors withdrew life savings which forced some banks to close their doors. On inauguration day 80 percent of America’s banks were closed (either by declared state holiday or by failure) and the country was near economic ruin. Roosevelt’s inaugural address, excerpted below, exuded a sense of vigor and action at a time when Americans suffered a crisis of confidence.

QUESTIONS TO CONSIDER

1. In what ways does Franklin Roosevelt seek to build the American people’s confidence?
2. What does Roosevelt believe are the significant problems facing the nation?
3. How does he propose to solve them?
4. For what purposes does Roosevelt refer to the crisis as similar to war?
5. What is the significance of this speech?

I am certain that my fellow Americans expect that on my induction into the Presidency I will address them with a candor and a decision which the present situation of our Nation impels. This is preeminently the time to speak the truth, the whole truth, frankly and boldly. Nor need we shrink from honestly facing conditions in our country today. This great Nation will endure as it has endured, will revive and will prosper. So, first of all, let me assert my firm belief that the only thing we have to fear is fear itself—nameless, unreasoning, unjustified terror which paralyzes needed efforts to convert retreat into advance. In every dark hour of our national life a leadership of frankness and vigor has met with that understanding and support of the people themselves which is essential to victory. I am convinced that you will again give that support to leadership in these critical days.

In such a spirit on my part and on yours we face our common difficulties. They concern, thank God, only material things. Values have shrunk to fantastic levels; taxes have risen; our ability to pay has fallen; government of all kinds is faced by serious curtailment of income; the means of exchange are frozen in the currents of trade; the withered leaves of industrial enterprise lie on every side; farmers find no markets for their produce; the savings of many years in thousands of families are gone.

More important, a host of unemployed citizens face the grim problem of existence, and an equally great number toil with little return. Only a foolish optimist can deny the dark realities of the moment.

Yet our distress comes from no failure of substance. We are stricken by no plague of locusts. Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for. Nature still offers her bounty and human efforts have multiplied it. Plenty is at our doorstep, but a generous use of it languishes in the very sight of the supply. . . .

Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously. It can be accomplished in part by direct recruiting by the Government itself, treating the task as we would treat the emergency of a war, but at the same time, through this employment, accomplishing greatly needed projects to stimulate and reorganize the use of our natural resources.

Hand in hand with this we must frankly recognize the overbalance of population in our industrial centers and, by engaging on a national scale in a redistribution, endeavor to provide a better use of the land for those best fitted for the land. The task can be helped by definite efforts to raise the values of agricultural products and with this the power to purchase the output of our cities. It can be helped by preventing realistically the tragedy of the growing loss through foreclosure of our small homes and our farms. It can be helped by insistence that the Federal, State, and local governments act forthwith on the demand that their cost be drastically reduced. It can be helped by the unifying of relief activities which today are often scattered, uneconomical, and unequal. It can be helped by national planning for and supervision of all forms of transportation and of communications and other utilities which have a definitely public character. There are many ways in which it can be helped, but it can never be helped by merely talking about it. We must act and act quickly.

Finally, in our progress toward a resumption of work we require two safeguards against a return of the evils of the old order; there must be a strict supervision of all banking and credits and investments, so that there will be an end to speculation with other people's money; and there must be provision for an adequate but sound currency.

These are the lines of attack. I shall presently urge upon a new Congress, in special session, detailed measures for their fulfillment, and I shall seek the immediate assistance of the several States. . . .

I am prepared under my constitutional duty to recommend the measures that a stricken Nation in the midst of a stricken world may require. These measures, or such other measures as the Congress may build out of its experience and wisdom, I shall seek, within my constitutional authority, to bring to speedy adoption.

But in the event that the Congress shall fail to take one of these two courses, and in the event that the national emergency is still critical, I shall not evade the clear course of duty that will then confront me. I shall ask the Congress for the one remaining instrument to meet the crises—broad Executive

power to wage a war against the emergency, as great as the power that would be given to me if we were in fact invaded by a foreign foe.

For the trust reposed in me I will return the courage and the devotion that befit the time. I can do no less.

We face the arduous days that lie before us in the warm courage of national unity; with the clear satisfaction that comes and precious moral values; with the clean satisfaction that comes from the stern performance of duty by old and young alike. We aim at the assurance of a rounded and permanent national life.

We do not distrust the future of essential democracy. The people of the United States have not failed. In their need they have registered a mandate that they want direct, vigorous action. They have asked for discipline and direction under leadership.

They have made me the present instrument of their wishes. In the spirit of the gift I take it.

In this dedication of a Nation we humbly ask the blessing of God. May He protect each and every one of us. May He guide me in the days to come.